

Indian benchmark indices give up gains and end in red; midcaps and smallcaps rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,200.23	57,276.94	76.71	0.13	57,795.11	58,084.33	57,119.28
Nifty	17,101.95	17,110.15	8.20	0.05	17,208.30	17,373.50	17,077.10

- 1) Indian equities came under pressure and gave up all gains during the day amidst volatility. The Sensex declined by whopping 884 points from today's high of 58,084.33 and finally ended down by 76.71 points or 0.13 percent to end at levels of 57,200.23. Among the Sensex 30 stocks, Maruti Suzuki, Tech Mahindra, Power Grid, Hero MotoCorp, ICICI Bank, Axis Bank, SBI, and Bajaj Finserv were down in the range of 1 to 3 per cent. On the other hand, NTPC, UPL, ONGC, Sun Pharma, IndusInd Bank, Tata Consumer Products, and ITC rallied up to 4 per cent.
- 2) On the other hand, the Nifty closed down by 8.20 points or 0.05 percent to end at levels of 17,101.95.
- 3) However, the broader markets ended in green. The BSE MidCap index was up by 1.02 percent while the BSE SmallCap index was up by 1.07 percent.
- 4) In terms of sectoral performance, S&P BSE Healthcare index was up by 1.10 percent, S&P BSE Basic Materials index was up by 0.90 percent, S&P BSE Information Technology index was up by 0.88 percent, S&P BSE Telecom index was up by 0.87 percent. On the other hand, S&P BSE Bankex index fell by 0.75 percent and S&P BSE Auto index fell by 0.64 percent.

Sectors and stocks

- 1) Shares of Bharti Airtel rallied by 6 per cent to Rs. 752.80 on the BSE in Friday's intra-day trade and finally closed at Rs. 715.90, up by 1.23 percent. Bharti Airtel ("Airtel"), one of India's premier communications solutions providers, and Google today announced that they will partner on a long-term, multi-year agreement to accelerate the growth of India's digital ecosystem. Together, they will work to bring best-in-class end-to-end products to serve customer needs, provide quality customer experience, and bring their expertise to solve problems of affordability, access, and digital inclusion. As part of this partnership, Google intends to invest up to \$1B, as part of its Google for India Digitization Fund, which includes equity investment as well as a corpus for potential commercial agreements, to be identified and agreed on mutually agreeable terms over the course of the next five years. This will comprise: A \$700M equity investment in Bharti Airtel at a price per share of INR 734. Up to \$300M that will go towards implementing commercial agreements, which will include investments in scaling Airtel's offerings that covers a range of devices to consumers via innovative affordability programs as well as other offerings aimed at accelerating access and digital inclusion across India's digital ecosystem. This deal will be subject to necessary regulatory approvals.
- 2) Shares of Oil and Natural Gas Corporation (ONGC) rallied 5.5 per cent, and registered a 32-month high at Rs. 174.65 on the BSE in Friday's intra-day trade on improved outlook due to rising oil prices. Higher oil realisations and modest production would spur up ONGC's earnings before interest tax and depreciation and amortization (EBITDA) by 1.8x year-on-year (YoY) in October-December quarter (Q3FY22). The stock of state-owned exploration & production company surpassed its previous high of Rs. 172.80 touched on October 6, 2021. It traded at its highest level since May 2019.
- 3) Shares of C. E. Info Systems (MapmyIndia) hit a record low of Rs. 1,271.65, on slipping 11 per cent on the BSE in Friday's intra-day trade after the company reported 14 per cent year-on-year (YoY) decline in its consolidated profit at Rs. 18.52 crore in December quarter (Q3FY22). In Q3FY22, revenue from operations was down 10.7 per cent YoY at Rs. 43.37 crore. EBITDA margins declined 700 bps YoY to 35.9 per cent. The company said, lower revenue during the quarter were due to sales of automotive OEMs impacted owing to semiconductor shortage. Additionally, comparative quarters of Q2FY22, and Q3FY21 had benefitted from post-covid recovery pent-up demand, it said. The stock was trading at its lowest level since market debut on December 21, 2021. The company had issued shares at Rs. 1,033 apiece in the initial public offer (IPO). MapmyIndia is India's leading provider of advanced digital maps,

geospatial software and location based IoT technologies. It is a leader in the B2B and B2B2C market, serving over 500 enterprise customers across 3 major categories - corporate, automotive and government. Some of the marquee names include PhonePe, Flipkart, Yulu, HDFC Bank, Airtel, Hyundai, Avis, Safexpress, GST Network, etc.

Key recent major developments..

- 1) Today, FIIs were net sellers and sold equities worth Rs. 5,045.34 Crore. On the other hand, DIIs were net buyers and bought equities worth Rs. 3,358.67 Crore. Month till date, FIIs have sold equities worth Rs. 37,721.87 Crore while DIIs in the same period have purchased equities worth Rs. 18,279.75 Crore.
- 2) Brent crude, the global benchmark, touched 90 dollars a barrel for the first time in seven years as rising political tensions between Ukraine and Russia added to concerns that supply could get even tighter. Although OPEC+ is yet to roll back its 3.4 mbopd of production cuts initiated in April 2020, fast recovery in oil demand, switch from high cost gas to oil, and low inventories resulted in Brent touching a seven year high.
- 3) US Federal Reserve is likely to raise US interest rates in March and is also expected to end its bond purchase programme before going for significant reduction in its asset holdings.
- 4) U.S. economic growth accelerated in the fourth quarter as businesses replenished depleted inventories to meet strong demand for goods, helping the nation to post its best performance in nearly four decades in 2021. Gross domestic product increased at a 6.9% annualized rate last quarter, the Commerce Department said in its advance GDP estimate on Thursday. That followed a 2.3% growth pace in the third quarter. The economy grew 5.7% in 2021, the strongest since 1984. It contracted 3.4% in 2020, the biggest drop in 74 years. Growth last year was fueled by massive fiscal stimulus as well as very low interest rates. The momentum, however, appears to have faded by December amid an onslaught of COVID-19 infections, fueled by the Omicron variant, which contributed to undercutting spending as well as disrupting activity at factories and services businesses. (Source: Reuters)
- 5) Earlier, in a special address at the World Economic Forum's Davos Agenda summit Prime Minister Modi said that India focused on reforms in right way, adding that global experts have praised government's decisions while delivering. "India has given world a bouquet of hope consisting of trust towards democracy, technology to empower 21st century," he added. "In 2014, there were a few hundred registered startups in India. Today their number has crossed 60 thousand with above 10 thousand of them registered in the last 6 months. More than 50 lakh software developers are working in the country today," he said.
- 6) According to the State of the Economy report of the Reserve Bank of India (RBI), the Omicron wave could be a flash flood, rather than a wave, and the Indian economy could recover its march towards a pre-pandemic level. The infection surge due to Omicron has dented recovery temporarily. "The recovery that has been underway in the Indian economy with the ebbing of the second wave of the pandemic is encountering headwinds from a rapid surge in infections in a third wave marked by the rapid transmissibility of the Omicron variant," the report said. Mobility indicators have dropped below the baseline numbers as daily infections surged to over 271,000 on January 13, the highest since mid-May 2021, with active caseload hitting 1.55 million. However, aggregate demand conditions stayed resilient. The issuance of E-way bills surged to 72 million in December, the second highest in its history, indicating "the likelihood of robust collection of the goods and services tax (GST) in January 2022." "With a strong pick-up in manufacturing and construction, highway toll collections soared by 16 per cent month-on-month (MoM) in December. Power consumption rose by 4.5 per cent to 110.3 billion units in December," the report said. "Monetary and credit conditions are improving with bank credit picking up in a gradual but sustained manner. India's digital payment ecosystem is also expanding rapidly," the report said. However, the report noted that the global outlook "remains clouded by considerable uncertainty," as inflation continues to mount across geographies amidst disruptions in production, supply chains and transportation. "There are indications that supply chain disruptions and shipping costs are slowly easing, although the waning of inflation may take longer. This provides a window of opportunity to focus all energies on accelerating and broadening the global recovery," it said.
- 7) Merchandise exports witnessed nearly 40 per cent growth year-on-year to \$37.81 billion in December, as demand for Indian products continues to remain robust, according to data released by the commerce and industry ministry on Friday. On a sequential basis, outbound shipments grew nearly 29 per cent. Engineering goods, petroleum products, gems and jewellery, organic and inorganic chemicals, drugs and pharmaceuticals, continued to remain top exported goods. On a cumulative basis, India's merchandise exports in April-December crossed \$301 billion, achieving three fourth of the annual export target of \$400 billion in the first nine months of FY22. The number has also exceeded total exports of 2020-21, which was at \$290 billion.

- 8) Wholesale Price Index-based Inflation (WPI) for December moderated slightly compared with November, but stayed in double digits for the ninth consecutive month, data released by the Commerce Ministry showed on Friday. WPI inflation bucked a 4-month rising trend in December 2021 and came in at 13.56 percent, even though food prices hardened. Factory-gate inflation in November was 14.23 per cent, while in December 2020 it was 1.95 per cent. "The high rate of inflation in December 2021 is primarily due to rise in prices of mineral oils, basic metals, crude petroleum & natural gas, chemicals and chemical products, food products, textile and paper and paper products etc as compared to the corresponding month of the previous year," the Commerce Ministry said.
- 3) The World Bank retained its FY22 growth forecast for India at 8.3 per cent but upgraded it to 8.7 per cent for FY23, from 7.5 per cent estimated earlier, citing improving growth prospects, especially a reviving private capex cycle.
- 4) India's retail inflation rate rose to a five month high in December and growth in factory output decelerated to a nine month low in November. Data released by the statistics department showed retail inflation rate as measured by the consumer price index rose to 5.59 per cent in December from 4.91 per cent a month ago. Growth in factory output as measured by the Index of industrial production (IIP), on the other hand, dipped to 1.4 per cent in November compared to 4 per cent in the preceding month.
- 5) Emerging economies must prepare for US interest rate hikes, the International Monetary Fund said, warning that faster than expected Federal Reserve moves could rattle financial markets and trigger capital outflows and currency depreciation abroad. In a blog published Monday, the IMF said it expected robust US growth to continue, with inflation likely to moderate later in the year. The global lender is due to release fresh global economic forecasts on Jan. 25. It said a gradual, well-telegraphed tightening of U.S. monetary policy would likely have little impact on emerging markets, with foreign demand offsetting the impact of rising financing costs. It said emerging markets with high public and private debt, foreign exchange exposures, and lower current-account balances had already seen larger movements of their currencies relative to the US dollar. The fund said emerging markets with stronger inflation pressures or weaker institutions should act swiftly to let currencies depreciate and raise benchmark interest rates.

Ajcon Global's observations and view

- 1) Indian benchmark indices ended in red led by hawkish stance of US Fed, continued FII selling, weak global cues like geopolitical tensions between Ukraine and Russia, worries over inflation, jump in crude oil and gold prices would remain an overhang.
- 2) Before the correction which started from last week, the sentiments were upbeat as in third wave of COVID-19 led by Omicron variant, death rates have been lower so far as compared to devastating Delta variant. Despite significant spike in COVID-19 cases on daily basis, the hospitalisation rates are also lower. The restrictions imposed too by various states so far are not a major dampener to economic activity. In addition, factors like good growth in merchandise exports, RBI's accommodative stance in its Monetary Policy, good GDP data, robust GST collections, strong manufacturing PMI, PLI incentives in various sectors, strong vaccination drive, faster than expected economic recovery in Unlock phase, expectations of strong Q3FY22 earnings season, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri, Diwali, Christmas, New Year and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.
- 3) It would be prudent to stay with quality names at decent valuations in uncertain times. It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy. Structurally, Indian equities are poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power, one of its kind Union Budget announced last year which focused on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc. India today has emerged as a potential destination for investment.
- 4) There is a strong line up of IPOs. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals based on risk reward profile. No doubt, IPOs of sectors in limelight like E-Commerce, Insurance, companies engaged in Digital space, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors need to be careful with expensive IPOs whose valuations are beyond logic. The carnage witnessed in some of the recently listed companies makes a case for investors to be more cautious.
- 5) We expect volatility in build up to Union Budget presentation in next few days. Market participants will keep an eye on expectations from different stakeholders from the Union Budget amidst upcoming assembly elections in



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Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur. Investors will continue to track ongoing Q3FY22 earnings season which has been mixed so far, global cues like geopolitical tensions between Russia and Ukraine, global inflation data, US Treasury yields, oil price movement.



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